Growth in Index of Industrial Production and manufacturing during February to April 2009

(in per cent)

	2008			2009		
	February	March	April	February	March	April
Manufacturing	9.6	5.7	6.7	0.2	-1.6	0.4
Overall Industrial Production	9.5	5.5	6.2	0.2	-0.8	1.2

(c) Growth in the manufacturing sector was affected by the global recession and consequent slowdown of industrial production. The major reasons of the slowdown, *inter alia*, include contraction in demand particularly in respect of for export oriented industries, adverse conditions for access to external capital, high cost of credit, high cost of inputs, and depressed business confidence.

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WRITTEN ANSWERS TO UNSTARRED QUESTIONS

New Trade Policy

1176. SHRI M.V. MYSURA REDDY:

SHRI NANDAMURI HARIKRISHNA:

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) by when the Government is going to announce its New Trade Policy;

(b) what measures proposed to be taken in the New Trade Policy to stabilize the industrial production, incentives to exports, etc.; and

(c) what would be the other salient features of the policy?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) to (c) The existing comprehensive Foreign Trade Policy (FTP) 2004-09 has been extended beyond 31.3.2009 "till further amendments" vide Notification No. 70 dated 8.12.2008. Government has been taking appropriate measures to arrest the decline in exports. Measures announced in the form of stimulus packages (including the Trade Facilitation Measures announced in February' 09) and in the Budget 2009-10, by the Government, particularly for exporting sector is given in the Statement (see below). Government closely monitors the different export sectors and need based measures are taken keeping in view the financial implications.

Statement

Steps taken by Government/RIB to address the concerns arising out of present global economic slow down.

(A) Measures taken by the Government:

(1) Interest subvention of 2% provided, till 30.9.2009, to the following labour intensive sectors for exports:-

Textiles (including Handlooms), Handicrafts, Leather, Gems & Jewellery, Marine Products and SMEs;

(2) Additional funds of Rs 350 crore provided (in December 2008) for Handicraft items etc. in Vishesh Krishi and Gram Udyog Yojana (VKGUY);

(3) Market Linked Focus Product Scheme extended for bicycle parts, Motor Cars and Motor Cycles, Apparels and Clothing accessories, Auto Components etc. for exports from 1.4.09 to 30.09.09;

(4) Rs 1100 crore provided to ensure full refund of pending claims of CST / Terminal Excise duty /Duty drawback on deemed exports;

(5) Exporter friendly and the popular Duty Neutralisation Scheme i.e., Duty Entitlement Passbook (DEPB) Scheme extended upto 31st December, 2009;

(6) DEPB rates for all items where they were reduced in November, 2008, restored to higher rates from retrospective effect;

(7) Duty Drawback rates on certain items restored to higher rates effective from 1st September, 2008;

(8) DEPB and Freely Transferable Incentive Schemes allowed without the initial requirement of Bank Realisation Certificate (BRC);

(9) Export Obligation Period under Advance authorization Scheme enhanced from 24 months to 36 months without payment of composition fee.

(10) Back-up guarantee made available to ECGC to the extent of Rs 350 crore to enable it to provide guarantees for exports to difficult markets/ products. ECGC is now been able to widen its coverage;

(11) Additional funds of Rs 1400 crore provided to the Ministry of Textiles to clear the backlog claims of textile units under Technology Upgradation Fund (TUF);

(12) Export duty on iron ore fines eliminated, and for lumps, reduced to 5%;

(13) Some pending issues relating to Service Tax refund on exports – resolved. However many issues remain un resolved;

(14) For Fast Track Resolution of a number of procedural issues thereby reducing delays V for the exporters, a Committee constituted under the Chairmanship of Finance Secretary including Secretaries of Department of Revenue and Commerce; A number of issues sorted out accordingly;

(15) Excise duty reduced across the board by 4 per cent, for all products except petroleum products and those products where current rate was less than 4%. Excise Duty was further reduced by another 2% in certain products like Leather etc.;

(16) The guarantee cover under Credit Guarantee Scheme for Micro and Small Enterprises on loans doubled to Rs 1 crore, with a guarantee cover of 50%. The

guarantee cover extended by Credit Guarantee Fund Trust increased to 85% for credit facility upto Rs. 5 lakh. The lock-in period for such collateral-free loans reduced.

(17) To protect the domestic manufacturing industry from dumped/cheap imports, in particular, from China, import restrictions have been imposed on HR coil, Carbon Black, Polyester Filament Yarn (PFY) and Radial Tyres (Bus & Trucks).

(18) Import duty on naphtha for power sector eliminated;

(19) CVD on TMT bars and structurals and on cement removed;

(20) Exemption from basic customs duty on Zinc and Ferro Alloys withdrawn;

(21) Regular monitoring mechanism:

(a) The situation is being regularly monitored at the highest level of Government, so that immediate further corrective measures, can be taken as may be required. In this regard, the Government has constituted the following two High Level Committees which have been deliberating the issue on regular basis:

(i) An Apex Group chaired by Prime Minister with Finance Minister, Commerce Minister, Deputy Chairman (Planning Commission), RBI Governor;

(ii) Committee of officers chaired by Cabinet Secretary, including Finance Secretary, Commerce Secretary, Secretary(DIPP), Secretary (Planning Commission) to meet regularly to look into the suggestions made by Trade and Industry and the respective Administrative Ministries in respect of the current global economic and financial crisis and to recommend action to the Apex Group.

(b) Department of MSME and Department of Financial Services to jointly monitor on the progress of the meetings of Monthly meeting of State level Bankers' Committee for resolution of credit issues of MSME.

(B) **Measures taken by RBI:**

(a) Increase in Liquidity to the banks for improving credit flow, by:

(i) Reducing CRR, SLR, Repo rate and Reverse Repo rate (from Oct '08, CRR reduced from 9% to 5%, SLR reduced from 25% to 24%, Repo Rate reduced from 7-5 % to 4.75%, and Reverse Repo Rate reduced from 6% to 3.25%).

(ii) Refinance facility to the EXIM Bank for an amount of Rs. 5000 crores for providing pre-shipment and post-shipment credit in Rs. or dollars;

(iii) A special re-finance facility has been put in place for banks for the purpose of extending finance to exports, micro and small enterprises, mutual funds and NBFCs. Provisioning requirements have been lowered. Export Credit Refinance facility for commercial banks increased to 50% of the outstanding Rupee Export Credit.

(b) Increase in FOREX Liquidity:

(i) RBIs assurance for continued selling of foreign exchange (US $) through banks, to augment supply in the domestic foreign exchange market;

(ii) To enable banks to profitably lend to exporters in Foreign Exchange, Ceiling rates on export credit in foreign currency has been raised to LIBOR + 350 basis points, subject to the condition that the banks will not levy any other charges, *i.e.,* service charge, management charge, etc. except for recovery towards out of pocket expenses incurred.

(c) Easing of Credit Terms:

(i) The period of pre-shipment and post-shipment Rupee Export Credit enhanced by 90 days each;

(ii) Time period of export realization for non-status holder exporters increased to 12 months, at par with the Status holders. This facility which was available upto 03.06.09, has been extended for one more year;

(iii) PSU Banks, consequent to measures announced by RBI, reduced the margin money on Guarantees for export units;

(C) **Recent Steps Announced in Budget** 2009-10:

(1) MDA Scheme- allocation increased to Rs.124 crores (increased by 148%);

(2) Interest subvention of 2% on preshipment credit for 7 specified sectors extended beyond 30.9.09 till 31st March, 2010;

(3) An adjustment assistance scheme initiated in December '08 to provide enhanced ECGC cover at 95% to the badly hit sectors continued till March, 2010;

(4) Mega Handloom clusters in West Bengal and Tamil Nadu and Powerloom cluster in Rajasthan and New Mega clusters for carpets in Srinagar and Mirzapur approved;

(5) Fringe Benefit Tax (FBT) abolished;

(6) Section 10A and 10B related to Sunset clauses for STPI and EOUs schemes respectively extended for the financial year 2010-2011. Anomaly removed in Section 10AA related to taxation benefit of 'unit *vis-a-vis* assessee';

(7) Additional items allowed within the existing duty free imports entitlement for the following employment oriented sectors:

(i) 5 additional items for sports goods sector;

(ii) Additional items for leather garments and footwear and textile items.

(8) Basic customs duty of 5% on Rough/Unworked corals abolished;

(9) Service Tax- Following changes have been made.

(i) Exemption from Service tax on services linked to exports:

(a) On service related to transport of export goods by road from any CFS or ICD to the port or Airport and on service related to transport of export goods by road directly from their place of removal, to an ICD, a CFS, a port or airport;

(b) Services provided by Foreign Agent Commission service.

(ii) Procedure for refund of service tax simplified by allowing refund on self certification in case refund claim does not exceed 0.25% of FOB value of exports; and certification by Chartered Accountant in case of others;

(iii) Time period for filing refund claim increased to 1 year from the date of export (as against half-yearly).

Evaluation of large scale industries in retail market

†1177. SHRI SHIVANAND TIWARI:
SHRI RAJ MOHINDER SINGH MAJITHA:

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that many committees and prominent people have recommended to the Government not to allow foreign and domestic large-scale industries to trade in the retail market of the country;

(b) if so, the number of memorandum received by the Government;

(c) whether Government has evaluated socio-economic loss with the entry of large scale industries to the retail market; and

(d) if so, the details of the evaluation?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) and (b) The Department Related Parliamentary Standing Committee on Commerce in its ninetieth report on foreign and domestic investment in retail sector, has deliberated on this issue and made a number of observations and recommendations. In addition, Government has received 21 representations from various members of Parliament and 48 memorandums from various industry associations.

†Original notice of the question was received in Hindi.